

GENERAL CONDITIONS

for the Supply of Machinery and other Mechanical, Electrical and Electronic Equipment

Issued in 2001 by the organisations for the engineering industries in Denmark, Finland, Norway and Sweden. (Hovedorganisationen Dansk Industri, Denmark; Metalliteollisuuden Keskusliitto, Finland; Teknologibedriftenes Landsforening, Norway; Sveriges Verkstadsindustrier, Sweden).



Preamble

1. These General Conditions shall apply when the parties agree in writing or otherwise thereto. Deviations from the Conditions shall not apply unless agreed in writing.

When used in these conditions the term "written" or "in writing" refers to a document signed by both parties, or a letter, fax, electronic mail or other means agreed by the parties.

Product Information

2. Data in product information and price lists are binding only to the extent that they are expressly referred to in the contract.

Technical Documents and Technical Information

3. All drawings and other technical documents regarding the goods or their manufacture submitted by one party to the other, prior or subsequent to the formation of the contract, shall remain the property of the submitting party.

Drawings, technical documents or other technical information received by one party shall not, without the consent of the other party, be used for any other purpose than that for which they were submitted. They may not without the consent of the other party be copied, reproduced, transmitted or otherwise communicated to a third party.

4. The Seller shall, not later than by delivery of the goods, free of charge provide the Buyer with one copy, or the larger number of copies that may have been agreed, of drawings and other technical documents, which are sufficiently detailed to permit the Buyer to carry out installation, commissioning, operation and maintenance (including running repairs) of all parts of the goods. The Seller shall not, however, be obliged to supply manufacturing drawings of the goods or spare parts.

Delivery Test

5. Where a delivery test has been agreed, it shall, unless otherwise agreed, be carried out where the goods are manufactured. If technical requirements for the test have not been agreed, the test shall be carried out in accordance with general practice in the industry concerned in the country where the goods are manufactured.

6. The Seller shall notify the Buyer in writing of the delivery test in sufficient time to permit the Buyer to be present at the test. If the Buyer has received such notice, the test may be carried out even if the Buyer is not represented at the test.

The Seller shall record the test. The test report shall be sent to the Buyer. The report shall, unless otherwise shown by the Buyer, be considered to correctly describe the execution of the test and its results.

7. If, at the delivery test the goods are found not to be in accordance with the contract, the Seller shall as soon as possible ensure that the goods comply with the contract. If so required by the Buyer a new test shall thereafter be carried out. The Buyer may not, however, require a new test if the defect was insignificant.

8. If no other division of the costs has been agreed, the Seller shall bear all costs for delivery tests carried out where the goods are manufactured. The Buyer shall, however, at such delivery tests bear all costs for his representatives, including costs for travel and subsistence.

Delivery

9. Where a trade term has been agreed, it shall be interpreted in accordance with the INCOTERMS in force at the formation of the contract.

If no trade term is specifically agreed, the delivery shall be Ex Works.

Time for Delivery. Delay

10. If, instead of a fixed date for delivery, the parties have agreed on a period of time within which delivery shall take place, such period shall start to run at the formation of the contract.

11. If the Seller finds that he will not be able to deliver the goods at the agreed time or if delay on his part seems likely, he shall without undue delay notify the Buyer thereof in writing, stating the reason for the delay and if possible the time when delivery can be expected. If the Seller fails to give such notice, he shall, regardless of the provisions of Clauses 13

and 14, reimburse the Buyer for any additional expenses, which the latter incurs and which he would have avoided, had he received notice in time.

12. If delay in delivery is caused by a circumstance which under Clause 36 constitutes ground for relief or by an act or omission on the part of the Buyer, including suspension by the Seller under Clause 18, the time for delivery shall be extended by a period, which is reasonable having regard to the circumstances in the case. The time for delivery shall be extended even if the reason for delay occurs after the originally agreed time for delivery.

13. If the Seller fails to deliver the goods on time, the Buyer is entitled to liquidated damages from the date on which delivery should have taken place.

The liquidated damages shall be payable at a rate of 0.5 per cent of the agreed price for each complete week of delay. If the delay concerns only a part of the goods, the liquidated damages shall be calculated on the part of the price, which is properly attributable to the part of the goods, which cannot be taken in use due to the delay.

The liquidated damages shall not exceed 7.5 per cent of that part of the price on which it is calculated.

The liquidated damages become due at the Buyer's written demand but not before all of the goods have been delivered or the contract is terminated under Clause 14.

The Buyer loses his right to liquidated damages if he has not lodged a written claim for such damages within six months after the time when delivery should have taken place.

14. If the Buyer is entitled to maximum liquidated damages under Clause 13, and the goods are still not delivered, the Buyer may in writing demand delivery within a final reasonable period which shall not be less than one week.

If the Seller fails to deliver within such final period and this is not due to any circumstance for which the Buyer is responsible, the Buyer may, by written notice to the Seller, terminate the contract in respect of that part of the goods which cannot be taken in use due to the delay.

In case of such termination the Buyer shall also be entitled to compensation for the loss he suffers because of the Seller's delay to the extent that the loss exceeds the maximum of liquidated damages which the Buyer may claim under Clause 13. This compensation shall not exceed 7.5 per cent of that part of the price which is properly attributable to the part of the goods in respect of which the contract is terminated.

The Buyer shall also have the right to terminate the contract by written notice to the Seller if it is clear that there will be a delay, which under Clause 13 would entitle the Buyer to maximum liquidated damages. In case of termination on this ground the Buyer shall be entitled to both maximum liquidated damages and compensation under the third paragraph of this Clause.

Except for liquidated damages under Clause 13 and termination of the contract with limited compensation under this Clause 14, all other claims in respect of the Seller's delay shall be excluded. This limitation of the Seller's liability shall not apply, however, where the Seller has been guilty of gross negligence.

15. If the Buyer finds that he will be unable to accept delivery of the goods on the agreed date, or if delay on his part seems likely, he shall without undue delay notify the Seller thereof in writing stating the reason for the delay and, if possible, the time when he will be able to accept delivery.

If the Buyer fails to accept delivery on the agreed date, he shall nevertheless make any payment, which is dependent on delivery as if the goods in question had been delivered. The Seller shall arrange storage of the goods at the Buyer's risk and expense. If the Buyer so requires, the Seller shall insure the goods at the Buyer's expense.

16. Unless the Buyer's failure to accept delivery as referred to in Clause 15 is due to any such circumstance as described in Clause 36, the Seller may by written notice require the Buyer to accept delivery within a reasonable period.

If, for any reason for which the Seller is not responsible, the Buyer fails to accept delivery within such period, the Seller may, by written notice to the Buyer, terminate the contract in respect of that part of the goods which is ready for delivery but has not been delivered due to the Buyer's

default. The Seller shall then be entitled to compensation for the loss he has suffered by reason of the Buyer's default. The compensation shall not exceed that part of the price which is properly attributable to the part of the goods in respect of which the contract is terminated.

Payment

17. Unless otherwise agreed, the agreed purchase price, together with value added tax, if any, shall be invoiced with one third at the formation of the contract, one third when the Seller gives written notice that the bulk of the goods are ready for delivery. Final payment shall be invoiced at delivery of the goods.

The invoiced amount becomes due 30 days after the date of the invoice.

18. If the Buyer fails to pay, the Seller shall be entitled to interest from the due date at the rate of interest determined by the law on late payments in the Seller's country.

If the Buyer fails to pay by the due date, the Seller shall also, after having notified the Buyer in writing thereof, suspend performance of his contractual obligations until payment is made.

19. If the Buyer has failed to pay the amount due within three months after the due date, the Seller may terminate the contract by written notice to the Buyer and, in addition to interest on late payment, claim compensation for the loss he has suffered. The compensation shall not exceed the agreed purchase price.

Retention of Title

20. The goods shall remain the property of the Seller until paid for in full, to the extent that such retention of title is valid.

Liability for Defects

21. The Seller shall, in accordance with the provisions of Clauses 23-33 below, remedy any defect in the goods resulting from faulty design, materials or workmanship.

The Seller is not liable for defects arising out of material provided by the Buyer or a design stipulated or specified by him.

22. The Seller's liability does not cover defects caused by circumstances, which arise after the risk has passed to the Buyer. The liability does not, for example, cover defects due to conditions of operation deviating from those anticipated in the contract or to improper use of the goods. Nor does it cover defects due to faulty maintenance or incorrect installation from the Buyer's side, alterations undertaken without the Seller's written consent or faulty repairs by the Buyer. Finally the liability does not cover normal wear and tear or deterioration.

23. The Seller's liability is limited to defects, which appear within a period of one year from the date of delivery of the goods. If the goods are used more intensely than agreed, this period shall be reduced proportionately.

24. For parts, which have been repaired or replaced under Clause 21, the Seller shall have the same liability for defects as for the original goods for a period of one year. For other parts of the goods the liability period referred to in Clause 23 shall be extended only by the period during which the goods could not be used due to a defect for which the Seller is liable.

25. The Buyer shall notify the Seller in writing of a defect without undue delay after the defect has appeared, and in no case later than two weeks after the expiry of the liability period defined in Clause 23 as supplemented by Clause 24. The notice shall contain a description of how the defect manifests itself. If the Buyer fails to notify the Seller in writing within the above time limits, he loses his right to make any claim in respect of the defect.

If there is reason to believe that the defect may cause damage, notice shall be given forthwith. If notice is not given forthwith, the Buyer loses the right to make any claim based on damage which occurs and which could have been avoided if such notice had been given.

26. After receipt of a written notice under Clause 25, the Seller shall remedy the defect without undue delay. Within this limit the time for remedial work shall be chosen in order not to interfere unnecessarily with the Buyer's activities. The Seller shall bear the costs as specified in Clauses 21-32.

Remedial work shall be carried out at the Buyer's premises unless the Seller finds it appropriate to have the defective part or the goods sent to him for repair or replacement at his own premises.

The Seller shall carry out dismantling and re-installation of the part if this requires special knowledge. If such special knowledge is not required, the Seller has fulfilled his obligations in respect of the defect when he delivers a duly repaired or replaced part to the Buyer.

27. If the Buyer gives such notice as referred to in Clause 25, and no defect is found for which the Seller is liable, the Seller shall be entitled to compensation for the work and costs which he has incurred as a result of the notice.

28. If remedy of the defect requires intervention in other equipment than the goods, the Buyer shall be responsible for any work or costs caused thereby.

29. All transports in connection with repair or replacement shall be at the Seller's risk and expense.

The Buyer shall follow the Seller's instructions regarding how the transport shall be carried out.

30. The Buyer shall bear the increase in costs for remedying a defect which the Seller incurs when the goods are located elsewhere than at the destination stated in the contract or - if no destination has been stated - the place of delivery.

31. Defective parts, which have been replaced under Clause 21, shall be placed at the Seller's disposal and shall become his property.

32. If the Seller fails to fulfil his obligations under Clause 26 within a reasonable time, the Buyer may by written notice require him to do so within a final time. If the Seller fails to fulfil his obligations within that time limit, the Buyer may at his option:

- a) have the necessary remedial work carried out and/or have new parts manufactured at the Seller's risk and expense, provided that the Buyer proceeds in a reasonable manner, or
- b) demand a reduction of the agreed purchase price not exceeding 15 per cent thereof.

If the defect is substantial, the Buyer may instead terminate the contract by written notice to the Seller. The Buyer shall also be entitled to such termination where the defect remains substantial after measures referred to in a). In case of termination, the Buyer shall be entitled to compensation for the loss he has suffered. The compensation shall, however, not exceed 15 per cent of the agreed purchase price.

33. Regardless of the provisions of Clauses 21-32, the Seller shall have no liability for defects in any part of the goods for more than two years from the start of the liability period referred to in Clause 23.

34. The Seller shall have no liability for defects save as stipulated in Clauses 21-33. This applies to any loss the defect may cause, such as loss of production, loss of profit and other consequential economic loss. This limitation of the Seller's liability shall, however, not apply if he has been guilty of gross negligence.

Liability for Damage to Property Caused by the Goods

35. The Buyer shall indemnify and hold the Seller harmless to the extent that the Seller incurs liability towards any third party in respect of loss or damage for which the Seller is not liable towards the Buyer according to the second and third paragraphs of this Clause.

The Seller shall have no liability for damage caused by the goods:

- a) to any (movable or immovable) property, or the consequences of such damage, occurring while the goods are in the Buyer's possession, or
- b) to products manufactured by the Buyer or to products of which the Buyer's products form a part.

The above limitations of the Seller's liability shall not apply if he has been guilty of gross negligence.

If a third party lodges a claim for compensation against Seller or Buyer for loss or damage referred to in this Clause, the other party to the contract shall forthwith be notified thereof in writing.

The Seller and the Buyer shall be mutually obliged to let themselves be summoned to the court or arbitral tribunal which examines claims against either of them based on damage or loss alleged to have been caused by the goods. The liability as between the Seller and the Buyer shall, however, always be settled by arbitration in accordance with Clause 39.

Grounds for Relief (Force Majeure)

36. The following circumstances shall constitute grounds for relief if they impede the performance of the contract or makes performance unreasonably onerous: industrial disputes and any other circumstance beyond the control of the parties such as fire, war, mobilization or military call up of a comparable scope, requisition, seizure, trade and currency restrictions, insurrection and civil commotion, shortage of transport, general shortage of materials, restrictions in the supply of power and defects or delays in deliveries by sub-contractors caused by any such circumstance as referred to in this Clause.

The above described circumstances shall constitute grounds for relief only if their effect on the performance of the contract could not be foreseen at the time of formation of the contract.

37. The party wishing to claim relief under Clause 36 shall without delay notify the other party in writing on the intervention and on the cessation of such circumstance.

If grounds for relief prevent the Buyer from fulfilling his obligations, he shall reimburse the Seller expenses incurred in securing and protecting the goods.

38. Notwithstanding other provisions of these General Conditions, either party shall be entitled to terminate the contract by notice in writing to the other party, if performance of the contract is delayed more than six months by reason of any grounds for relief as described in Clause 36.

Disputes, Applicable Law

39. Disputes arising out of or in connection with the contract shall not be brought before the court, but shall be finally settled by arbitration in accordance with the law on arbitration applicable in the Seller's country.

40. All disputes arising out of the contract shall be judged according to the law of the Seller's country.